



FROM KOREA WITH CAPITAL

South Korean institutions are imprinting their profile both at home and abroad

Key Points

- The **1.5 tn won** mandate for an infrastructure and smart city fund initiated by the South Korean government's Korea Overseas Infrastructure and Urban Development Corp is **among the largest** that a Korean institution has earmarked for offshore assets. The mandate also highlights Seoul's desire to **assert its profile abroad**
- In the 2 years and 9 months since 2018 and up to Sep 2020, South Korean institutional and corporate investors were known to have made **60 allocations** –
 - **Southeast Asia** has emerged as the favoured destination, capturing **23.3%** of the number of allocations, virtually on par with those for cross-border and global situations
 - Pan-Asia funds such as those managed by MBK Partners and KKR & Co have also enlisted South Korean financial institutions as investors
- Among the pool of institutional and corporate investors from South Korea, **Naver**, an internet company, is by far **the most active**, accounting for **16.7%** of the allocations

Reprint of article published in the
23rd Sep, 2020 *Subscribers' Weekly*

At a time when central banks have kept interest rates at near zero to help shore up the ailing global economy, the South Korean government’s **Korea Overseas Infrastructure and Urban Development Corp** (‘KIND’) announced one of its most audacious investment programmes. On 10th September, KIND unveiled its search for financial institutions to provide performance measurement services for infrastructure funds that target assets abroad. The state-

owned institution has earmarked **1.5 trillion won** (US\$1.3 billion) and the mandate for the appointed managers is to focus **on infrastructure and smart cities**.

KIND’s sizeable allocation for assets of future cities outside of South Korea’s domain brings attention to the country’s assiduous efforts to access overseas markets through private equity funds.

Since 2018, **South Korean institutions have allocated no less than US\$1.3 billion to non-**

domestic managers to help scout for investment opportunities, according to **Asia PE Data**, which tracks private equity movements in Asia. In these two years and nine months, this market’s institutions and corporates made 60 allocations. While these commitments are testament to their staunch support of domestic funds, they also highlight **a comprehensive offshore investment programme** that covers various segments of the private equity asset class.

Global Footprints (2018 – Sep 2020)

The offshore private equity investment programme of South Korean financial institutions is a blueprint of their ambition to be substantial players on the global private equity platform. Through allocations to various non-domestic managers, their mandates cover specific segments of private equity fund management, such as buyout and co-investment situations. The

recent **1.5 trillion won earmarked** for the Global Plant, Infrastructure and Smart City Fund is by far the largest. Significantly, the initiative underscores that the South Korean government, through its Korea Overseas Infrastructure and Urban Development Corp, seeks to **gain a foothold in the planning of future cities** in markets abroad (Fig. 7).

Making Global Footprints (2018 - Sep 2020)

Date	Institution	Allocation	Mandate
Sep 2020	Korea Overseas Infrastructure and Urban Development Corp	1.5 tn won (US\$1.3 bn)	appointees will be responsible for establishing a performance evaluation and measurement system for the Global Plant, Infrastructure and Smart City Fund
May 2020	Korea Post Insurance	US\$200 m	offshore secondary assets
Mar 2019	Korea Post Savings	US\$200 m	two blind-pool infrastructure funds that focus on developed countries
	Korea Post Insurance	US\$300 m	infrastructure opportunities among advanced markets
Jun 2018	Korea Post Insurance	US\$200 m	offshore buyout situations
	Public Officials Benefit Association	US\$150 m	offshore private equity fund
Mar 2018	Korea Post	US\$200 m	offshore private equity co-investment programme

Fig. 7

Compiled by: ASIA PRIVATE EQUITY REVIEW

Allocation Pattern (2018 – Sep 2020)

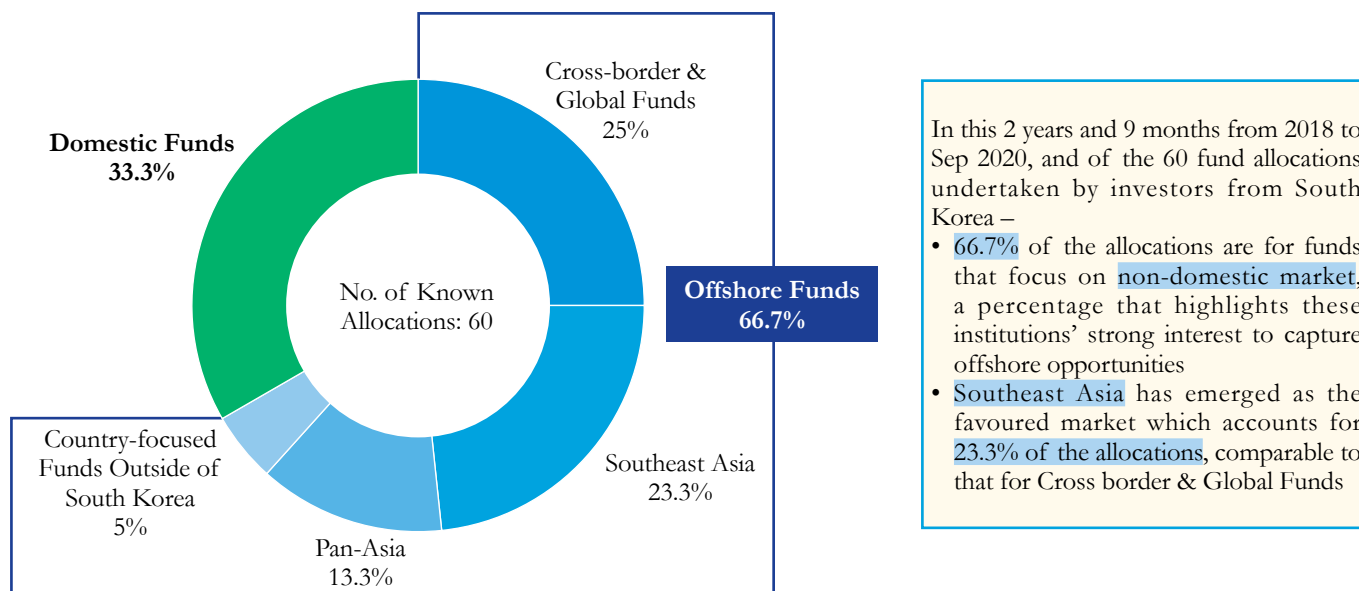
Of the 60 allocations by South Korean investors since 2018, 40, or 66.7%, are mandated to invest **outside of South Korea**. The percentage underlines how South Korean investors, in their capacity as limited partners of funds, are keen to gain footholds in foreign abroad (Fig. 8).

With geopolitical tensions between the US and China intensifying, South Korean institutions and corporate investors have been focusing on two pools of funds: pan-Asia and Southeast Asia. In the former group, both **MBK Partners** and **KKR & Co** have secured commitments.

In Southeast Asia-focused funds, South Korean institutions have taken the dual roles of either being the limited partners or sponsors of funds –

- in September, **NAVER Corp** (‘Naver’) and **Woowa Brothers** teamed up with Singapore’s Sea Ltd and **Vertex Holdings** and pledged commitments to Vietnam-based **Do Ventures**. The latter secured US\$28 million as its first closing size
- in December 2019, **SK Group** (‘SK’) joined hands with **National Pension Service** (‘NPS’) to set up a Vietnam-focused investment fund with a capital pool of 1 trillion won (US\$857.7 million). The fund will be jointly managed by **SKS Private Equity** and **Stonebridge Capital**

Korean LPs’ Allocation Pattern (2018 - Sep 2020)



Year	No. of Known Allocations	Domestic Funds	Offshore Funds			
			Cross-border & Global Funds	Southeast Asia	Pan-Asia	Country-focused Funds Outside of South Korea
2018 - Sep 2020	60	20	15	14	8	3

NB: the percentage may not add up due to rounding of numbers

Fig. 8

Source: **ASIA PE Data**

Those Who Take on the LP Role

Allocations to private equity funds from South Korea come largely from **government pension funds** or **corporate investors**. Together they account for **62.4%** of the 60 allocations (Fig. 9).

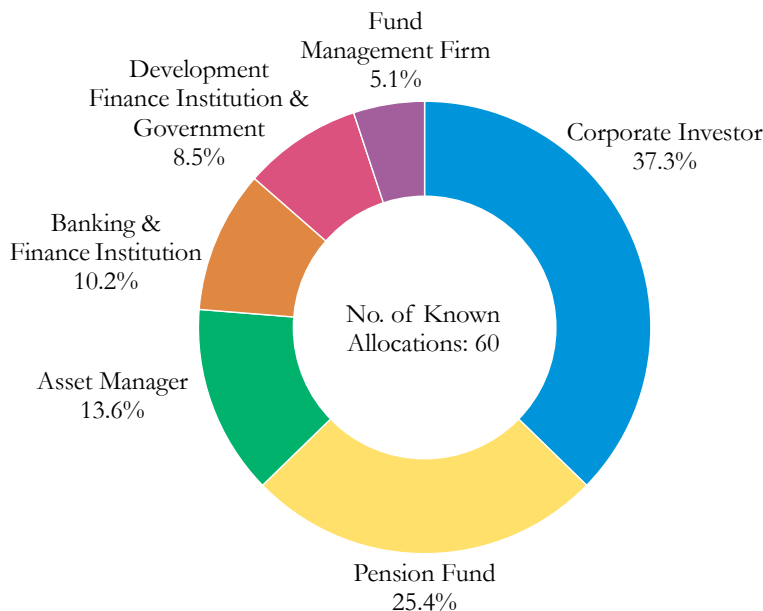
NPS is by far the most active pension fund investor of private equity funds, accounting for 10% of the number of allocations. As a government agency, the NPS has largely focused its resources on domestic funds. But its name also appears in pan-Asian and global funds as well.

NPS is among the pool of pedigree international institutional investors that have made allocations to **MBK Partners Fund V LP**, which achieved its final closing at

US\$6.5 billion in May 2020. In 2019, NPS made an allocation to **SoftBank Ventures Asia Corp’s** Growth Acceleration Fund, which seeks startup opportunities worldwide.

Among the pool of corporate investors from South Korea, **Naver**, an internet company, is the most active. It has a **comprehensive portfolio**, covering funds that focus on cross-border and global situations to pan-Asia and country-focused funds. It pledged a commitment to a US\$300 million fund managed by **TPG Growth** to invest in artificial intelligence and deep tech in China. Naver also teamed up with **Mirae Asset Daewoo Co Ltd** to launch a 1 trillion won fund that scouts for opportunities in emerging Asia.

South Korea: Those Who Take on the LP Role



Category of LP	No. of Fund Allocation
Corporate Investor	22
Pension Fund	15
Asset Manager	8
Banking & Finance Institution	6
Development Finance Institution & Government	5
Fund Management Firm	3
University Endowment	1
Total	60

NB: the percentage may not add up due to rounding of numbers

Fig. 9

Source: **ASIA PE Data**

Comments

Just before the end of September, NPS reached another milestone in its venture abroad. It has sealed an agreement to collaborate with **Keppel Capital Holdings Pte Ltd** (“Keppel Capital”), the asset management arm of the Singapore-listed **Keppel Group** (“Keppel”).

Together, they will “explore investment opportunities for private infrastructure in Asia”, Keppel Capital said in its official statement.

Leveraging on Keppel’s extensive real asset portfolio that includes energy and environmental infrastructure and related technology solutions in Asia, NPS is to further

enhance its existing presence outside of South Korea. The pension fund manager’s most recent partnership with Keppel is representative of the approach undertaken by South Korean investors to internationalise their profile with capital allocation to private assets being one of the routes. ■